

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD

FINANCIAL STATEMENTS

MARCH 31, 2022



CHARTERED PROFESSIONAL ACCOUNTANTS

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MANAGEMENT RESPONSIBILITY STATEMENT

The management of York Sunbury Charlotte Forest Products Marketing Board is responsible for preparing the financial statements, the notes to the financial statements and other financial information contained in this annual report.

Management prepares the financial statements in accordance with Canadian accounting standards for not-for-profit organizations. The financial statements are considered by management to present fairly the organization's financial position and results of operations.

The organization, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that company assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the financial statements.

The financial statements have been reported on by Lenehan McCain & Associates, Chartered Professional Accountants, the organization's auditors. Their report outlines the scope of their examination and their opinion on the financial statements.

General Manager

May 25, 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of
York Sunbury Charlotte Forest Products Marketing Board

Opinion

We have audited the financial statements of York Sunbury Charlotte Forest Products Marketing Board, which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

INDEPENDENT AUDITOR'S REPORT, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Woodstock, New Brunswick

May 25, 2022

Lenahan McCain + Associates

Chartered Professional Accountants

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022

	2022	2021
<u>ASSETS</u>		
Current assets		
Cash (Note 5)	\$ 1,134,382	\$ 910,687
Accounts receivable (Note 3)	145,899	242,173
Prepaid expenses	10,987	6,308
	1,291,268	1,159,168
Property, plant and equipment (Note 4)	32,476	43,487
	\$ 1,323,744	\$ 1,202,655
<u>LIABILITY</u>		
Current liability		
Accounts payable (Note 6)	\$ 135,395	\$ 164,611
<u>NET ASSETS</u>		
Forest management fund	812,153	697,962
General Fund	376,196	340,082
	1,188,349	1,038,044
	\$ 1,323,744	\$ 1,202,655

APPROVED

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2022

	<u>2022</u>	<u>%</u>	<u>2021</u>	<u>%</u>
Revenues	\$ 8,170,027	100.0	\$ 6,926,715	100.0
Cost of sales	<u>7,753,344</u>	<u>94.9</u>	<u>6,551,069</u>	<u>94.6</u>
Gross profit	<u>416,683</u>	<u>5.1</u>	<u>375,646</u>	<u>5.4</u>
Other revenue				
Government silviculture and other	936,467	11.5	873,049	12.6
FM levies	114,191	1.4	104,215	1.5
Truckers fees	17,511	0.2	17,304	0.2
Owners contributions	15,424	0.2	15,783	0.2
Miscellaneous	2,818		17,552	0.3
Fees collected	12,825	0.2	6,251	0.1
FM - other revenue	<u>1,200</u>		<u>1,200</u>	
	<u>1,100,436</u>	<u>13.5</u>	<u>1,035,354</u>	<u>14.9</u>
Total revenue	1,517,119	18.6	1,411,000	20.4
Expenditures (Schedule 2)	<u>299,607</u>	<u>3.7</u>	<u>317,999</u>	<u>4.6</u>
Surplus (deficit) before GNB Silviculture and FMF activities	1,217,512	14.9	1,093,001	15.8
GNB Silviculture and FMF expenses, Schedule 1	<u>1,067,207</u>	<u>13.1</u>	<u>953,545</u>	<u>13.8</u>
Surplus of revenues over expenditures	<u>\$ 150,305</u>	<u>1.8</u>	<u>\$ 139,456</u>	<u>2.0</u>

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2022

	Opening Balance	FM levies	Surplus of revenues over expenditures	2022 Balance, end of year
Forest Management Fund	\$ 697,962	\$ 114,191	\$ -	\$ 812,153
General Fund	340,082	-	36,114	376,196
	\$ 1,038,044	\$ 114,191	\$ 36,114	\$ 1,188,349

	Opening balance	FM levies	Surplus of revenues over expenditures	2021 Balance, end of year
Forest Management Fund	\$ 593,747	\$ 104,215	\$ -	\$ 697,962
General Fund	304,841	-	35,241	340,082
	\$ 898,588	\$ 104,215	\$ 35,241	\$ 1,038,044

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2022

	2022	2021
Operating activities		
Surplus of revenues over expenditures	\$ 150,305	\$ 139,456
Adjustments for		
Amortization	13,360	8,320
Gain on sale of property, plant and equipment	-	(7,843)
	163,665	139,933
Change in non-cash working capital items		
Decrease in accounts receivable	96,274	116,369
(Increase) decrease in prepaid expenses	(4,679)	2,853
Decrease in accounts payable	(29,215)	(56,310)
	226,045	202,845
Investing activities		
Purchase of equipment	(2,350)	(47,822)
Proceeds on disposal of property, plant and equipment	-	24,000
	(2,350)	(23,822)
Increase in cash	223,695	179,023
Cash, beginning of year	910,687	731,664
Cash, end of year	\$ 1,134,382	\$ 910,687

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

1. Description of business

York Sunbury Charlotte Forest Products Marketing Board is a body corporate created by a regulation under the Natural Products Act of the Province of New Brunswick. The purpose and intent of the Board is to promote the development and use of the private woodlots within York, Sunbury and Charlotte counties as a dependable source of supply of primary forest products for wood using industries. The Board negotiates prices, contracts, and market access on behalf of wood producers who are marketing primary forest products from within the regulated area of the Board. The Board is a non-taxable organization under the Income Tax Act under Section 149 (1) (e).

2. Significant accounting policies

The organization applies the Canadian accounting standards for not-for-profit organizations.

(a) Foreign currency translation

Monetary assets and liabilities of the organization which are denominated in foreign currencies are translated at year end exchange rates. Non-monetary assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in operations.

(b) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Estimates are used when determining the allowance for uncollectable accounts and useful life of property, plant and equipment. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

2. Significant accounting policies, continued

(c) Fund accounting

The organization uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The forest management fund reports activity related to forest management and the general fund reports all other financial affairs of the Board.

(d) Revenue recognition

Revenue from sales of forest products is recognized when title passes to the mills, which generally coincides with the delivery of products by the woodlot owners and wood producers.

Government funding is recorded once eligibility criteria have been met and collection is reasonable assured.

Other revenues are recorded in the period to which they relate and collection is reasonable assured.

(e) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

(f) Property, plant and equipment

Property, plant and equipment are recorded at cost. The organization provides for depreciation using the declining balance method at rates designed to depreciate the cost of the property, plant and equipment over their estimated useful lives. The annual depreciation rates are as follows:

Equipment	30%
Motor vehicles	30%
Furniture and fixtures	20%
Computer equipment	30%

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

2. Significant accounting policies, continued

(g) Financial instruments

Measurement of financial instruments

Financial instruments are financial assets or liabilities of the Board where the Board has the right to receive cash or another financial asset from another party or has the obligation to pay cash or other financial assets to another party or equity instruments of another entity.

The Board initially measures its financial instruments at fair value. The Board's financial instruments that are measured at cost or amortized cost, are cash, accounts receivable, accounts payable and accrued liabilities.

Fair value estimates, where applicable, are made at a specific point in time, based on relevant cash flows, market discount rates and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and significant matters of judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Impairment

Financial assets that are measured at cost or amortized cost are tested for impairment at each statement of financial position date, to determine whether there are indicators that the asset may be impaired. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the write-down and reversal, if any, are recognized in net income in the year in which these occur.

3. Accounts receivable

	2022	2021
Trade receivables	\$ 75,414	\$ 121,898
PNB - silviculture	35,520	87,472
Other	49,874	50,353
Allowance for doubtful accounts	(14,909)	(17,550)
	\$ 145,899	\$ 242,173

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

4. Property, plant and equipment

	2022		2021	
	Cost	Accumulated depreciation	Net book value	Net book value
Equipment	\$ 97,955	\$ 97,771	\$ 184	\$ 263
Motor vehicles	45,242	18,324	26,918	38,456
Furniture and fixtures	63,758	63,449	309	386
Computer equipment	117,030	111,965	5,065	4,382
	\$ 323,985	\$ 291,509	\$ 32,476	\$ 43,487

5. Cash and cheques written in excess of deposits

The organization has an unsecured credit facility which includes an approved operating line that can be drawn upon to a maximum of \$300,000 CDN and \$50,000 USD, bearing interest at the bank's prime lending rate plus 1.40% per annum. As at March 31, 2022 the amount drawn on the facility is nil (2021 - nil).

	2022		2021	
Cash	\$ 1,134,382	\$ 910,687		

6. Accounts payable

	2022		2021	
Trade payables and accrued liabilities	\$ 117,742	\$ 157,446		
Receiver General - HST remittance	17,832	15,987		
Trucker HST	(179)	(8,822)		
	\$ 135,395	\$ 164,611		

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

7. Commitments

As at March 31, 2022, the organization is committed to a lease agreement, ending on June 30, 2022 for its office premises at 1350 Regent Street, Fredericton, New Brunswick. Annual lease commitments, payable in monthly installments of \$2,535, excluding HST are as follows:

2023	\$	7,605
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8. Directors' compensation

During the year, the Directors of the Marketing Board received \$7,200 (2021 - \$4,700) in compensation for their time and expenses. The amount is included in the determination of the current year's excess of revenues over expenses.

9. Financial instrument risks and uncertainties

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates.

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

9. Financial instrument risks and uncertainties, continued

(b) Credit risk

The financial instruments that potentially subject the company to a significant concentration of credit risk consist primarily of cash and accounts receivable.

The company maintains cash balances with Canadian chartered banks which are insured by the Canadian Deposit Insurance Corporation up to \$100,000. From time to time, these balances may exceed the federally insured limits and expose the company to credit risk from concentration of cash. The company limits this risk by transacting with reputable financial institutions.

The organization does have credit risk in accounts receivable of \$145,899 (2021 - \$242,173). The Board believes there is a minimal risk associated with these amounts due to the diversity of its customers and there are no significant concentrations of accounts receivable with any group of customers that are related to each other. The Board minimizes exposure due to credit risk by establishing a process for credit reviews for each of its new customers, continuous monitoring of credit risk and collectability of its existing customer base and considering the impact of current economic conditions on the liquidity of its customers and their ability to meet these financial obligations. The Board provides allowances for any doubtful accounts. In the opinion of management the credit risk exposure to the organization is low and is not material.

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The organization is exposed to currency risk on cash, accounts receivable and accounts payable held in U.S. dollars. The organization does not use derivative instruments to reduce its exposure to foreign currency risk. In the opinion of management, the currency risk exposure to the organization is low and is not material.

(d) Market risk

The organization is exposed to certain market risks including changes in pricing and limited access to foreign markets. These risks are mitigated by management by diligent monitoring of industry developments.

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

9. Financial instrument risks and uncertainties, continued

(e) Liquidity risk

The organization does have a liquidity risk in the accounts payable of \$134,753 (2021 - \$164,611). Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains an adequate line of credit to repay trade creditors. In the opinion of management the liquidity risk exposure to the organization is low and is not material.

10. Impacts of Covid-19

On March 11, 2020, the World Health Organization declared a global pandemic due to the outbreak of Covid-19. The declaration of the pandemic did not have a negative impact on the financial statements for the year ended March 31, 2022. The organization did not have to revise judgments, estimates and assumptions. The pandemic has not had a negative impact on the organization's liquidity, credit and business risks to date. Future impacts on the organization's operations, if any, are indeterminable as at the date of the independent auditor's report.

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

Schedule of GNB Silviculture and FMF expenses

Schedule 1

	2022	2021
Treatments	\$ 735,784	\$ 727,838
Wages and benefits	176,078	146,430
Seedlings	79,634	-
Travel, meetings and seminars	24,812	20,010
Rent	13,165	13,175
Professional fees and dues	8,665	8,265
Supplies and computer support	6,025	8,517
Telephone and communications	4,464	3,610
Insurance	3,769	4,092
Contracted plans	1,227	12,797
2 billion trees	900	-
Advertising and promotion	773	1,540
Amortization	11,911	7,271
	\$ 1,067,207	\$ 953,545

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

Schedule of Expenditures

Schedule 2

	2022	2021
Advertising and promotion	\$ 3,759	\$ 4,546
Amortization	1,449	1,049
Insurance	2,487	4,092
Interest and bank charges	9,814	10,247
Federation dues	8,365	8,765
Office and supplies	5,817	8,920
Professional fees and other	8,257	8,900
Rent	13,165	13,175
Telephone and utilities	6,265	6,428
Wages and benefits	203,115	216,896
Directors' fees	6,840	3,325
Computer maintenance and supplies	12,559	17,127
Travel	9,274	11,703
Meetings and seminars	1,237	632
Wood tracking expense	754	750
Foreign exchange loss (gain)	6,450	1,444
	\$ 299,607	\$ 317,999

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
UNAUDITED SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

Schedule 3 - Government Funded Silviculture Program

The marketing board received the following funding and incurred expenses related to forest management programs during the fiscal year ended March 31, 2022. This includes funding from the Province of New Brunswick for silviculture treatments on private land in York, Sunbury and Charlotte Counties.

	<u>Revenues</u>	<u>Expenditures</u>
GNB	\$ 830,335	\$
Woodlot Owners Contributions	15,424	
FM Fund	80,040	
Treatments - DNR		661,242
Seedling care		79,634
Wages and benefits		176,078
Travel and other		8,845
	<u>\$ 925,799</u>	<u>\$ 925,799</u>

Schedule 4 - Forest Management Fund Balance

	<u>2022</u>	<u>2021</u>
Opening balance	\$ 697,962	\$ 593,747
Add: FM levy income	114,191	104,215
Less: FM expenses		
Ending balance	<u>\$ 812,153</u>	<u>\$ 697,962</u>